

Michigan Soybean Association
Senate Appropriations Committee
Talking Points SB 431 (S-1) Bio Procurement
Executive Director Gail Frahm
February 26, 2014

Thank you Mr. Chairman and members of the committee.

I am Gail Frahm, Executive Director of the Michigan Soybean Association. Thank you for taking up this bio procurement legislation and thank you to Senator Caswell for moving this issue forward on our behalf.

SB 431 will add to the statute of items for Management and Budget to consider for in-state purchasing and ordering to include biobased products that have the United States Department of Agriculture certified product labeling for the federal procurement preference program. The BioPreferred Program is a federal procurement preference program, meaning that federal government agencies are required by law to purchase the biobased product if it is available and comparable in price and performance. USDA certifies and administers the list of approved biobased products, which now numbers approximately 4000 products in 89 categories.

Michigan soybean farmers grow the base for many of these products available on the biopreferred certified product list including: various oils, chain saw lubricants, foam products for auto manufacturing, insulation, printing ink, cleaners, and many more!

As a matter of fact one of those items, this Nesoil Bar and Chain Lubricant is made from 100% saturated fat soybeans which are grown and processed in Michigan at Zeeland Farm Services. Then the oil is shipped and packaged elsewhere in Michigan. This total loss oil is a good example of a product that can be used by many government agencies such as state parks, state police, prisons, and so forth. Other bio products such as the soy toilet scrub and hand sanitizer containing soy protein, may or may not be grown in Michigan, but are products that could be certified for the biopreferred certified product list.

While this bill includes all biobased products, Michigan Soybean Association hopes to encourage, through this legislation, new biobased manufacturing and processing in Michigan. This will lead to new jobs and greater demand for our soybeans.

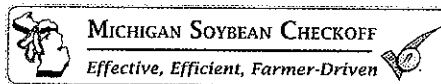
Michigan's 12,000+ soybean farmers look forward to a broader market for our soybeans and appreciate your support for this bill.

Thank you Mr. Chairman and I will answer any questions that the committee may have.

FREQUENTLY ASKED QUESTIONS

Q: What is a soybean checkoff?

A: This is a soybean farmer-funded, farmer-governed program, enforced by the United States Department of Agriculture, approved by a referendum, and reconfirmed every five years, which is designed to increase grower profit opportunities through investments in agronomic research, education, and market development activities.



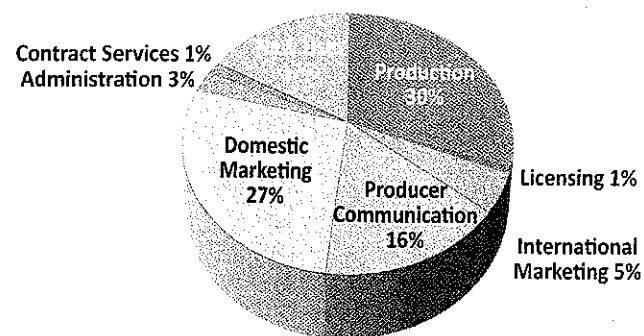
Q: What is the Michigan Soybean Promotion Committee (MSPC)?

A: The MSPC, also known as the Michigan Soybean Checkoff, is a non-profit organization which acts as a facilitator, or source of information, to address activity needs of our industry to fulfill our mission of increased farmer profit opportunities and the development of a strong public image of the Michigan soybean industry.

Q: How is the MSPC funded?

A: Michigan soybean farmers typically sell their soybeans at a grain elevator or a first purchaser. For every bushel of soybeans sold to a Michigan first purchaser, 0.5% of the dollar value is sent to the Michigan Soybean Checkoff. Half of those funds is kept in the state while the other half is sent to the United Soybean Board (USB), who handles the national soybean checkoff. The chart below shows how MSPC's funds are used.

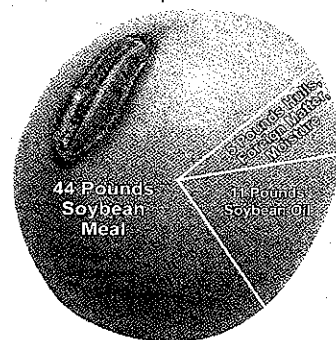
MSPC's Percent Expended in FY11 by Program Area



Q: What percentage of soybeans grown in the U.S. is used for human consumption?

A: The main components of a 60-pound bushel of soybeans are about 11 pounds of soybean oil and 44 pounds of soybean meal. Nearly 88% of the soybean oil (16.13% of 60-pound bushel) is used for human consumption such as cooking, frying, baking, margarine, etc. while only 1% of the soybean meal (0.83% of a 60-pound bushel) is used for human consumption, such as edamame, tofu, miso, soy flour, soymilk, etc. So, only 16.86% of U.S. soybean is used for human consumption. Nearly 72% of the soybean meal from soybeans grown is used as animal feed.

Here's what is in a 60-pound bushel of soybeans:



Q: Where can I purchase soy products such as candles and cleaning agents?

A: Many soy products are available in local markets. Many products are also available online and through mail-order catalogs. Visit the Michigan Soybean Promotion Committee's website at www.michigansoybean.org to obtain more information.

Q: Can soy biodiesel be used in any diesel engine? If so, what changes need to be made for optimum performance?

A: Yes, any diesel engine is capable of using biodiesel. Changes to the engine are not necessary. However, since soy biodiesel is a fuel with solvent characteristics, the fuel filter may need replacing more frequently at first until dirty particulates from the old petroleum diesel have completely passed through the system.

Q: Does soy biodiesel take more energy to make than it gives back?

A: No. Soy biodiesel has one of the highest "energy balances" of any liquid fuel. For every unit of fossil energy it takes to make biodiesel, 4.5 units of energy are gained. This takes into account the planting, harvesting, fuel processing, and fuel transportation.

The publication of this "Soybeans Impact Michigan's Economy" would not have been possible without the assistance of Bill Knudson and H. Christopher Peterson, both with the Michigan State University Product Center for Agriculture and Natural Resources. This publication was produced by the Michigan Soybean Promotion Committee.



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IMPACT MICHIGAN'S ECONOMY

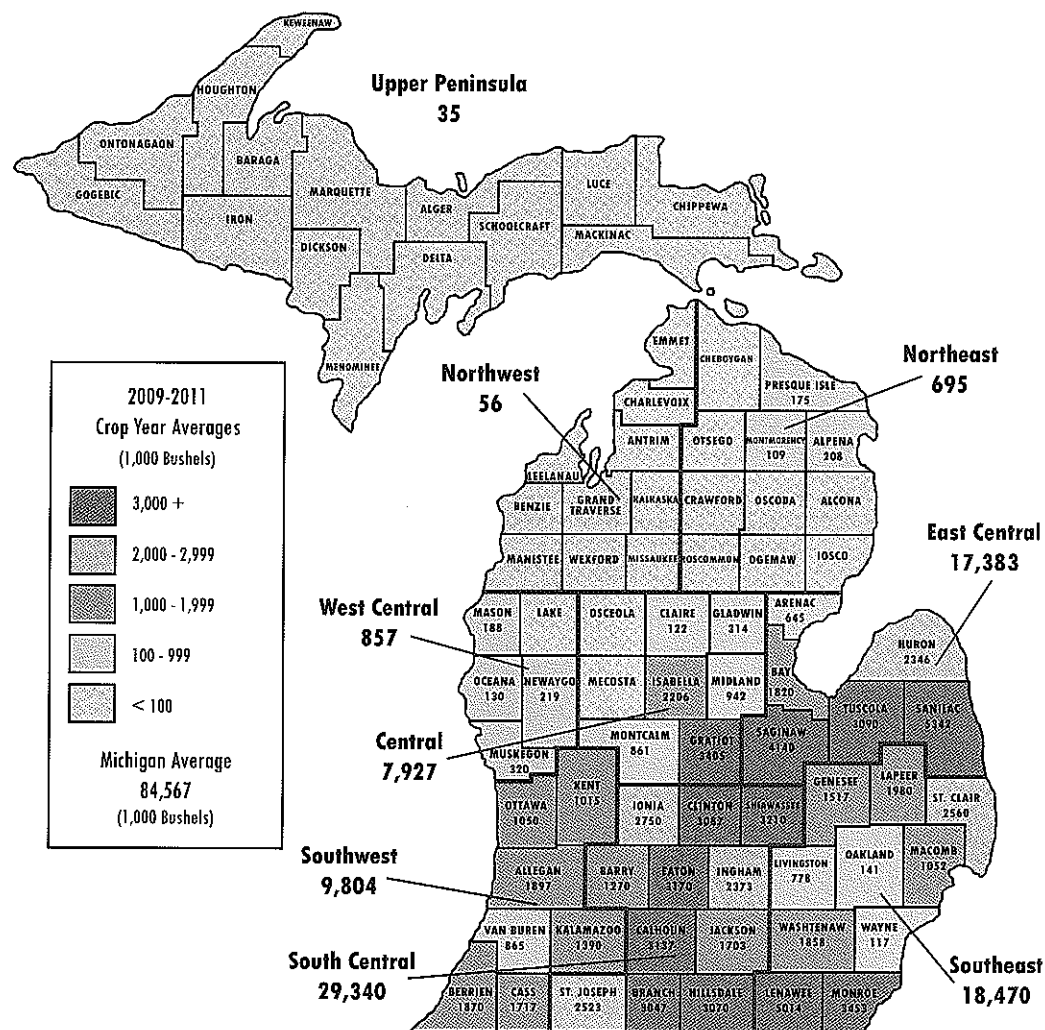
SOYBEANS HAVE NEARLY A \$1.5 BILLION ECONOMIC IMPACT ON MICHIGAN!

Michigan is the 2nd most agriculturally diverse state next to California, producing approximately 34 different commodities. Soybeans are an important contributor to Michigan's agri-food system. Michigan ranks 12th in soybean production out of the nation's 31 soybean-producing states. **Nearly 2 million acres** are planted to soybeans annually in Michigan by only 19% of the state's farmers on more than 10,000 soybean-producing farms.

According to the Michigan Agricultural Statistics Service, approximately 84.5 million bushels of soybeans are harvested annually in Michigan in more than half of Michigan's counties. The leading counties in soybean production are Sanilac, Lenawee, Saginaw, Tuscola, Monroe, and Gratiot (Figure 1).

Michigan's economic impact of soybean farming in 2011 was approximately **\$1.25 billion**, of which over \$1 billion was in direct activity and \$240 million in related industries and general spending in the economy.

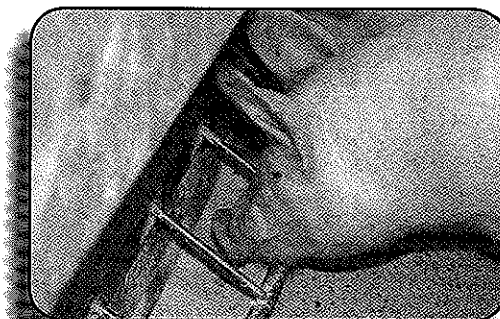
Figure 1
Michigan Soybean Production
by Counties and Regions



Source: USDA National Agricultural Statistics Service, April 2012



About 98% of soybean meal is fed to animals. The livestock industries that use nearly 95% of the soybean meal as feed also add to the total economic impact of the soybean industry. Once dairy, beef, hog, and poultry industries are considered, soybeans have nearly a **\$1.5 billion** economic impact on Michigan.



Soybean farming provides jobs in Michigan. According to the Michigan Agricultural Statistics Service, there are **6,942 jobs** within the Michigan soybean industry. Of these, 6,071 are directly engaged in soybean farming and 871 are a result of employment in related industries and general spending in the economy.

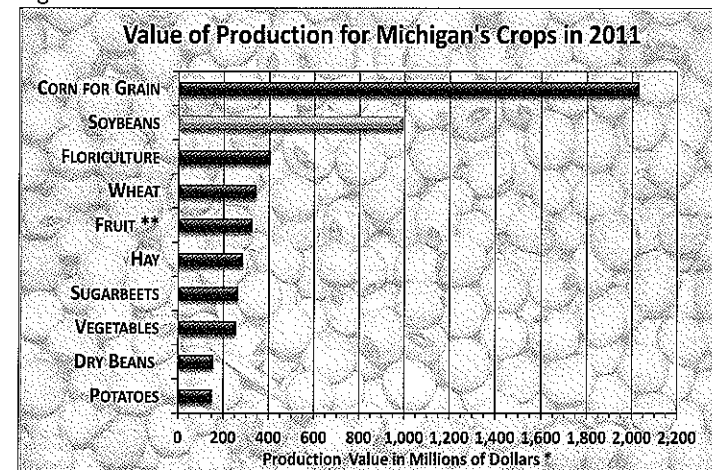
Soybean processing is also an important sector of Michigan's agri-food system. After taking the value of soybeans into consideration, soybean processing accounts for an additional **\$19 million** in net direct economic activity. Michigan **processes approximately 12%** of its soybeans which represents a total economic impact of **\$44 million**. If 25% of its soybeans were processed in Michigan, the total economic impact of soybean processing would be \$91.7 million. If half the soybeans in the state were processed in Michigan, the total economic impact of processing would be \$183.3 million. Additional processing would expand economic activity in the state and would lead to more jobs created.

Multiple Uses of Processed Soybeans:

Adhesives	Bar Chain Oils	Hand Sanitizer	Soap/Shampoo
Antibiotics	Biodiesel Fuel	Inks	Spray Foam Insulation
Anti-Corrosion Agents	Candles	Lubricants	Truck Bed Liners
Automotive Components	Crayons	Paint Removers	... and many more
Artificial Turf Grass	Hand/Body Lotions	Silk	

Through the farmer-funded Soybean Checkoff, researchers continue to discover new uses for soybeans.

Figure 2

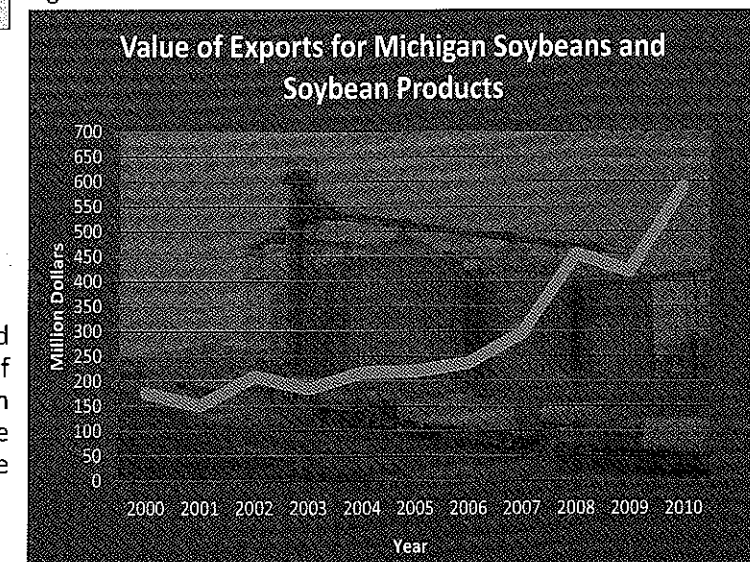


* Excludes government payments
** 2010 value of production

Soybeans are 2nd only to corn in value of crop production with a farm-gate value of nearly **\$1 billion** (Figure 2) and a total economic impact of **nearly \$1.5 billion**. According to the USDA Economic Research Service, the gross value of soybean production is about \$513 per acre, as fertilizer costs averaging \$30 per acre and fuel costs averaging nearly \$17 per acre account for a portion of the value.

Source: National Agricultural Statistics Service, June 2012

Figure 3



Michigan is the 12th largest exporter of soybeans and soybean products are the #1 agricultural exports of Michigan. This resulted in a \$588.7 million value in 2010, more than doubling in value since 2000 (Figure 3). Michigan's top soybean export markets are Canada, Japan, Indonesia, China, and South Korea.

Sources: USDA Economic Research Service, June 2012; USDA Foreign Ag Service, June 2012

MICHIGAN SOYBEAN PROCESSING ACCOUNTS FOR \$44 MILLION IN TOTAL ECONOMIC ACTIVITY!